

## Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 EA-07 ISO-00 AID-05 CIAE-00 COME-00  
EB-07 FRB-03 INR-07 NSAE-00 TRSE-00 XMB-02  
OPIC-03 SP-02 LAB-04 EPG-02 SIL-01 OMB-01 NSC-05  
SS-15 STR-04 CEA-01 IGA-02 DODE-00 NSCE-00 SSO-00  
USIE-00 INRE-00 IO-13 NEAE-00 PM-04 H-01 L-03  
PA-01 PRS-01 /117 W

-----091623Z 097266 /45

O P 091500Z MAY 77  
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INFO AMEMBASSY ABU DHABI PRIORITY  
USMISSION EC BRUSSELS PRIORITY  
AMEMBASSY BONN  
AMEMBASSY DOHA  
AMEMBASSY THE HAGUE  
AMEMBASSY JIDDA  
AMEMBASSY LONDON  
AMEMBASSY OTTAWA  
USMISSION OECD PARIS UNN  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMEMBASSY TEHRAN  
AMEMBASSY TOKYO  
AMEMBASSY CAIRO

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PARIS FOR IBRD CONSULTATIVE GROUP--EGYPT

E.O. 11652: GDS  
TAGS: EAID, IBRD, EG  
SUBJECT: DISCUSSION OF FORTHCOMING IBRD CONSULTATIVE GROUP  
MEETING--EGYPT--WITH FINANCE MINISTER AND KFAED CHAIRMAN

REF: STATE 93513  
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1. SUMMARY: I HELD DISCUSSIONS ON MAY 9 WITH GOK FINANCE  
MINISTER AND KUWAIT FUND CHAIRMAN ON IBRD CONSULTATIVE  
GROUP MEETING--EGYPT TO BE HELD IN PARIS MAY 11-12. BOTH  
EXPRESSED CONCERN THAT IBRD OBJECTIVES AS DESCRIBED REFTEL  
WERE TOO GENERAL AND THEY HOPED TO SEE MORE DIRECT FOCUS  
OF PARTICIPANTS ON PROBLEMS OF HOW TO ASSIST EGYPT ONCE

MASSIVE GODE CONTRIBUTION WAS EXPANDED. FINMIN CALLED FOR STRONGER US ROLE AND GEATER EFFORT BY INDUSTRIALIZED COUNTRIES IN THIS CONNECTION. I EXPLAINED DIFFERENCE OF INTERESTS ON PART OF VARIOUS DONORS AND NEED TO ACHIEVE COOPERATION WITHIN CG MEETING IN ORDER TO ENCOURAGE POSITIVE COORDINATION OF DONORS AND EFFECTIVE UNDERTAKING OF ECONOMIC REFORMS BY EGYPT. CLOSE CONSULTATION WITH KUWAITI DELEGATION TO BE LED BY KFAED CHAIRMAN IS RECOMMENDED. END SUMMARY.

2. I FINALLY HAD OPPORTUNITY MAY 9 TO DISCUSS FORTHCOMING PARIS IBRD CONSULTATIVE GROUP--EGYPT MEETING WITH KUWAIT FUND FOR ARAB ECONOMIC DEVELOPMENT (KFAED) CHAIRMAN ABDUL LATIF AL-HAMAD AND GOK FINMIN ABDUL-RAHMAN AL-ATEEQI, BOTH OF WHOM HAD BEEN OUT OF THE COUNTRY DURING RECENT PERIOD. KFAED CHAIRMAN AL-HAMAD IS SCHEDULED TO BE KUWAITI DELEGATION HEAD AND WILL BE ACCCOMPANIED BY HIS DEPUTY, NASSER M. AL-SAYER, SENIOR ECONOMIST AL-KOUJA, AND JUNIOR ECONOMIST AL-FAHAD FROM KFAED.

3. I REVIEWED OBJECTIVES AND APPROACH GIVEN FOR IBRD CG MEETING IN REFTEL. AL-HAMAD SAW OBJECTIVES AS MERELY TEXTBOOK DEFINITION OF CG MEETINGS IN GENERAL, AND EXPRESSED HOPE THAT PARIS MEETING WOULD BE MORE FOCUSED ON PROBLEM THAN SUGGESTED BY THESE GENERAL POINTS. HE HOPED FOR SPECIFIC STATEMENT AND EXPRESSION OF EXTENT OF INTEREST ON PART OF CG PARTICIPANTS. HE RECOGNIZED THAT THIS WAS NOT A PLEDGING CONFERENCE BUT SAID THAT GOK HOPED TO OBTAIN SOME INDICATION OF WHAT WOULD HAPPEN IN FUTURE WITH RESPECT TO AID TO EGYPT. TIME WAS OF THE ESSENCE IN THIS PROBLEM AND CONFIDENTIAL

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THERE WAS NEED TO KNOW WHAT HAPPENED WHEN \$2 BILLION PROVIDED BY GODE WOULD BE EXPENDED.

4. I PROVIDED AL-HAMAD WITH LIST OF US DELEGATION MEMBERS AND EXPLAINED TO HIM AID ROLE OF DELEGATION LEADER WHEELER. AL-HAMAD NOTED THAT ONE OF POINTS OF ANNOYANCE WITH RESPECT TO CG MEETINGS, WHICH HE REGULARLY ATTENDS FOR KUWAIT, WAS LEVEL OF DELEGATIONS WHERE COUNTRIES WERE OFTEN REPRESENTED BY EMBASSY ECONOMIC SECRETARIES.

5. MEETING WITH FONMIN ATEEQI TOOK PLACE LATER SAME MORNING WITH AL-HAMAD PRESENT. ATEEQI HAD OBVIOUSLY BEEN BRIEFED BY AL-HAMAD AND WAS PREPARED FOR MY VISIT. AFTER EXPRESSING GOK'S APPRECIATION FOR US INTEREST IN AID TO EGYPT, HE STATED THAT HE NEVERTHELESS FELT IT NECESSARY TO SPEAK "HARSHLY" ON THIS SUBJECT (WHICH IS STYLE THAT ATEEQI LIKES BEST). HE CONSIDERED OBJECTIVES (REFTEL) TO BE LARGELY "FOAM" WITHOUT SUBSTANCE. NEITHER THE IMF OR IBRD HAD DONE ANYTHING OF ANY CONSEQUENCE FOR EGYPT.

USG, WITH ITS 40 PERCENT VOTING POWER IN IMF, HAD NOT  
MANAGED TO PRODUCE MUCH IN IMF CONTEXT AND HAD ONLY CONTRI-  
BUTED A FEW HUNDRED MILLION DOLLARS IN FUND FOR EGYPT  
ASSISTANCE. NOTHING HAD BEEN DONE BY OTHERS TO COMPARE  
WITH THE \$2 BILLION PROVIDED BY FOUR ARAB COUNTRIES, AS WELL  
AS THEIR PREVIOUS EXTENSIVE CONTRIBUTIONS TO EGYPT. HE  
BELIEVED THERE IS NEED FOR USG, NOT KUWAIT OR OTHER ARAB  
NATIONS, TO PLAY MORE SUBSTANTIAL ROLE IN THIS AFFAIR.  
FURTHER ASSISTANCE FROM ARABS WOULD CONSIST OF AMOUNTS AGREED  
AT ARAB SUMMIT MEETINGS. KUWAIT'S CONTRIBUTION TO EGYPT,  
JORDAN AND SYRIA IN 1977 AND 1978 WOULD BE \$400 MILLION EACH  
YEAR UNDER RABAT ARRANGEMENTS. IT WOULD  
ALSO PROVIDE AN ADDITIONAL \$100 MILLION AS PART OF KHARTOUM  
PAYMENTS. ATEEQI ASKED THAT US AND OTHER INDUSTRIALIZED NATIONS  
CARRY MORE OF THE BURDEN, PARTICULARLY WITH RESPECT TO  
INVESTMENT IN EGYPT, WHICH HE SAID WAS NECESSARY FOR  
STIMULATION OF EGYPTIAN ECONOMY.

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6. WHEN FINMIN HAD CONCLUDED, I TOOK OPPORTUNITY TO MAKE  
A FEW PERTINENT COMMENTS. I REMINDED ATEEQI THAT US  
ASSISTANCE TO EGYPT OVER PAST COUPLE OF YEARS HAD BEEN IN  
RANGE OF \$1 BILLION PER ANNUM. I ALSO SUGGESTED THAT LEVELS  
OF INTEREST OF VARIOUS DONORS INVOLVED IN HELPING EGYPT  
DIFFERED. IT WAS VERY CLEARLY IN INTEREST OF WEALTHY ARAB  
STATES TO HELP PRESERVE EGYPTIAN ECONOMIC AND POLITICAL  
STABILITY BECAUSE, IF PRESENT EGYPTIAN REGIME WERE REPLACED  
BY MORE RADICAL GOVERNMENT, CONSEQUENT DETERIORATION OF MIDDLE  
EAST STABILITY WOULD PROVE TO BE DIRECT THREAT TO THEM.

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ATEEQI INTERJECTED THAT SUPPORT OF EGYPTIAN STABILITY AND SADAT POLICY EXCLUDING SOVIET INFLUENCE WAS IN US INTEREST. I AGREED AND ALSO POINTED TO OUR KEEN INTEREST IN PRESERVING EGYPT'S STABILITY SO THAT PROGRESS COULD BE MADE TOWARD ME PEACE SETTLEMENT, AS WELL AS OUR GENUINE INTEREST IN ASSISTING FRIENDLY EGYPTIAN REGIME AND ITS PEOPLE.

7. I NOTED THAT OTHER DONORS MAY VIEW THEIR INTEREST  
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AS BEING SOMEWHAT LESS AFFECTED BY EGYPT THAN BY ARAB NATIONS AND U.S. USG HAD MADE NUMBER OF VALIANT EFFORTS IN PAST, LED BY FORMER DEPUTY SECRETARY OF STATE ROBINSON, TO OBTAIN CONTRIBUTIONS FROM INDUSTRIALIZED COUNTRIES FOR EGYPTIAN ASSISTANCE. I RECALLED THAT THERE HAD BEEN LITTLE EFFORT MADE BY ARAB NATIONS ON EGYPT'S BEHALF AMONG THESE NATIONS. I SUGGESTED THAT IN VIEW OF EXTENSIVE ECONOMIC AND FINANCIAL DEALINGS BETWEEN ARAB NATIONS AND EUROPEAN COUNTRIES AND JAPAN, A GREATER EFFORT BE MADE ON THEIR PART TO OBTAIN COOPERATION OF INDUSTRIALIZED NATIONS.

8. ONE OF THE PROBLEMS INVOLVED IN HELPING EGYPT WAS NEED FOR GREATER RECEPTIVITY TO INVESTMENT ON PART OF EGYPTIANS THEMSELVES AS WELL AS FOR STEPS TO REFORM THEIR ECONOMY.

9. I RECALLED THAT IN DISCUSSIONS WITH ATEEQI LAST YEAR, HE HAD SUGGESTED THAT USG BRING MORE PRESSURE ON EGYPT TO UNDERTAKE SUCH ECONOMIC REFORMS, NOTING THAT, AS ARAB

BROTHERS, KUWAIT AND SAUDI ARABIA WERE RELUCTANT TO DO THIS THEMSELVES. I OBSERVED THAT THIS WAS A VERY DELICATE QUESTION, GIVEN EGYPTIAN SENSITIVITIES ABOUT THEIR SOVEREIGNTY AND THEIR PAST HISTORY OF FOREIGN FINANCIAL INFLUENCE. I NOTED THAT THOSE FEW WHO HAD SPOKEN UP IN THIS VIEN, PARTICULARLY ATEEQI HIMSELF, HAD BEEN ROUNDLY CASTIGATED BY THE EGYPTIAN PRESS. I SAW THE IBRD CONSULTATIVE GROUP AS A PARTIAL RESPONSE TO ATEEQI'S PLEA IN THIS DIRECTION. I EMPHASIZED THAT, IN AN ATMOSPHERE OF POSITIVE ENCOURAGEMENT, EGYPT COULD HOPEFULLY BE PRESUADED TO TAKE STEPS TO ACHIEVE THESE REFORMS. ROLE OF IMF IN CONNECTION WITH MANAGEMENT OF GODE LOAN SHOULD ALSO BE OF SOME HELP IN THIS REGARD. THERE WAS A CLEAR NEED FOR COOPERATION AND COORDINATION AMONG DONORS TO PROMOTE RATIONAL ECONOMIC DEVELOPMENT IN EGYPT. HOWEVER, BEFORE CONCRETE RESULTS COULD BE ACHIEVED, THERE WOULD UNDOUBTEDLY HAVE TO BE FURTHER SUBSTANTIAL CONTRIBUTIONS FROM WEALTHY ARAB AND OTHER DONORS, PROBABLY AROUND THE SAME LEVELS AS

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IN THE PAST.

10. ATEEQI HAD ADMITTED THAT HE HAD SOUGHT THIS KIND OF COOPERATION FROM USG AND REPEATED HIS APPRECIATION FOR US INTERESTS IN PROBLEM OF ASSISTING EGYPT. HE LOOKED FORWARD TO WORKING WITH US IN CG IN ORDER TO PROMOTE EGYPTIAN ECONOMIC PROGESS AND EVENTUALLY REDUCE HEAVY BURDEN OF ASSISTANCE.

11. I MENTIONED AT THIS POINT POSSIBILITY THAT EGYPTIANS MIGHT RAISE QUESTION OF DEBT RESCHEDULING AT CG MEETING AND INDICATED THAT USG DID NOT FEEL THIS WOULD BE APPROPRIATE TIME TO DO SO. ANY SPECIFIC EFFORT IN THIS DIRECTION WOULD TEND TO HAVE DISCOURAGING EFFECT UPON POTENTIAL DONORS. ATEEQI SUGGESTED THAT AL-HAMAD MEET WITH EGYPTIAN DELEGATION TO RECOMMEND THAT THIS NOT THE TIME OR PLACE FOR DISCUSSION OF DEBT RESCHEDULING. AS FAR AS KUWAIT WAS CONCERNED, IT HAD NOTIFIED EGYPT OF POSTPONEMENT OF ANY LOAN PAYMENTS AT THIS TIME.

12. COMMENT: ATEEQI CHANGED HIS TUNE BY THE END OF OUR DISCUSSION AND EMPHASIZED NEED FOR COOPERATION AND COORDINATION FOR OUR EFFORTS. THIS CHANGE IN ATTITUDE, I AM SURE, WAS NOT LOST ON AL-HAMAD, WHO IS AN EXTREMELY BRIGHT AND CAPABLE ECONOMIST. I STRONGLY RECOMMEND THAT USDEL TO CG COORDINATE CLOSELY WITH HIM.

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## Message Attributes

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**Review Markings:**  
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